productivity factor, preservation of sharing, and tightening the exogenous cost test. Any overall rate level adjustments should be applied to cure existing discrimination in LEC access rates, and in particular in transport rates. See WilTel Comments at 25.

The Computer and Communications Industry Association's proposal to link elimination of sharing to LEC promises to wire all schools also should be rejected. Although the goal is admirable, CCIA's proposal amounts to taxation of one class of subscribers to benefit another class. The Commission should hesitate to require such massive investment in this fashion. Moreover, most of the costs of the wiring at issue are within the state jurisdiction or are unregulated inside wiring, and are thus for the most part are beyond the FCC's ability substantially to influence.

VI. The Price Cap New Services Test Must Be Revised to Require Uniform Costing Methodologies for All Services.

The LECs' attacks on the new services test and the requirements for longer notice periods for new services are, in reality, just disguised requests for further pricing flexibility. It is significant that the user groups commenting in this proceeding have not complained about having to wait to receive a new service because of the Commission's rules, nor have they asked for revisions to the test to make it easier for LECs to justify new service pricing. On the contrary, they urge the Commission to take a close look at the cost justification for new service prices and to take steps to prevent LEC price discrimination and "price goug[ing]." 14/

14/ Ad Hoc Telecommunications Users Committee Comments at 28-29 and Attachment A at 86-88; ICA Comments at 19-21 (advocating adoption of Commission standards for review of new services as means of speeding the tariff review process); Commonwealth of Pennsylvania, Office of Consumer Advocate, Comments at 11 (encouraging Commission to ensure that "new services are actually

It is vitally important that the FCC continue to closely scrutinize the pricing of new services. The danger of anticompetitive and discriminatory pricing is perhaps greatest in connection with the introduction of new services. Other new services will be brand new -- video dialtone, for example, and interLATA service, if the MFJ restriction is someday lifted. The opportunity for pricing these new services in an anticompetitive or discriminatory fashion is substantial. LEC networks, with their vast fiber capacity and low incremental costs, are particularly susceptible to manipulation in the pricing of new services.

The LEC proposals to relax further the new services test (or to eliminate it entirely in "competitive market areas," as USTA proposes) completely ignore the danger of price discrimination, which is only exacerbated when the LECs introduce a new service. The rates for existing price cap services at least have the minimal protection of having come into price caps from a rate of return starting point. Prices for new services, in contrast, can be manipulated to serve the LECs' strategic goals from the beginning.

It is no answer to say, as some LECs do, that customers are protected against discrimination because, by definition, when a new service is introduced, the old service remains, and customers still will have the choice of the two. 15/ If the new and old services truly were interchangeable, there would be no reason to introduce the new service -- except as a means to avoid price cap restraints on pricing of existing services. If the two services are genuinely different, on the other hand, they will not be substitutes and the customers of the existing services will be unprotected from discrimination.

---

covering their direct costs and a fair share of joint and common costs such as overhead.")

15/ See, e.g., USTA Comments at 74; NYNEX Comments at 43-44.

The FCC should not accept the LECs' requests to shorten the time for examining these new services and to further liberalize the new services test. Instead, the FCC should take this opportunity to clarify the standard for evaluating new services and to make sensible and uniform the methodology for evaluating the reasonableness of pricing of all services. The Commission cannot evaluate discrimination claims with respect to new services without applying the same costing methodology to new and old services. If a different test applies to new services, discrimination between the rates for new and old services would almost by definition be the result, since rates for most old services were set using a fully distributed costing methodology.

In its opening comments, WilTel proposed that the Commission adopt the following five pricing principles to guide in evaluating challenges to pricing of new and existing services under price caps: 16/

1. Require the use of prospective (not historical) costs.
2. Use a long-run incremental cost approach to measure direct cost.
3. Require uniform overhead allocations across all price cap services.
4. Allow LECs pricing flexibility but only if accompanied by indexing.
5. Require uniform recovery of other common costs or subsidy amounts on a nondiscriminatory basis across all services.

Without further protections built into the new services test, such as those WilTel has proposed, the LECs will be able to circumvent the already limited price cap protections against discrimination by pricing new services in such a way

16/ See WilTel Comments at 30-33.

as to load their overhead costs onto services that do not face significant competitive pressures. Only by adopting a coherent and uniform set of principles for evaluating the lawfulness of LEC rates under price caps can the FCC have confidence that the pricing flexibility LECs already enjoy under price caps will not harm competition or result in rates that are unjust, unreasonable, or discriminatory in violation of the Communications Act.

CONCLUSION

The price cap review proceeding presents the Commission with a unique opportunity, at a critical time in the development of competitive markets, to ensure that consumers will have access to a wide array of services and that they will receive the benefits of competition across the full range of telecommunications services. But such an outcome is not automatic. LECs still possess substantial incentives and ability to engage in access price discrimination that could have the effect of inhibiting the development of competition by imposing a disproportionate share of common network costs on new entrants, smaller firms -- and perhaps all vendors with whom the LECs compete now or in the future. The market for interstate access is not competitive today, and with the possible exception of interoffice transport and special access, is unlikely to be competitive even after local loop competition arrives, because the end user, not the access purchaser, is likely to be the entity making the choice of loop provider.

WilTel has proposed revisions to the price cap plan that would give LECs sufficient pricing flexibility to meet competition while protecting LEC customers who do not yet, or may never, have competitive alternatives. The Commission should adopt these revisions and should refuse to accept the LECs' proposals to expand the already substantial pricing flexibility they receive under price caps. The Commission should also make other changes necessary to eliminate non-cost-based discrimination in LEC rates.

Respectfully submitted,

WILTEL, INC..

By Linda L. Oliver

Peter A. Rohrbach
Linda L. Oliver
Karis A. Hastings
Hogan & Hartson
Columbia Square
555 13th Street, N.W.
Washington, D.C. 20004-1109
(202) 637-5600

Its Attorneys

Of Counsel

Joseph Miller
John Gammie
WilTel, Inc.
P.O. Box 21348
Tulsa, OK 74121

Blaine Gilles
WilTel, Inc.
Manager, Regulatory Affairs
P.O. Box 21348
Tulsa, OK 74121

June 29, 1994

\\\DC\60661\0004\PL002101.DOC

APPENDIX [1]

	A	B	C
	Transport Revenues [2]	Other Interstate Switched Access Revenues [3]	Transport Revenues as Percent of Total Interstate Switched Access Revenues (A/(A&B))
Ameritech	$ 88,133,198	$ 909,856,986	8.8%
Bell Atlantic	104,967,065	1,157,841,736	8.3%
Bell South	129,104,963	1,499,545,979	7.9%
Nynex	124,437,986	1,653,210,331	7.0%
Pacific Bell	59,264,601	607,123,837	8.9%
Southwestern Bell	78,536,312	781,022,217	9.1%
US West	112,266,769	1,037,858,031	9.8%
TOTAL:	$696,710,894	$7,646,459,117	8.4%

1/ Source: Bell Operating Companies' 1994 Annual Access Filings scheduled to take effect July 1, 1994 (original and revised filings made as of June 21, 1994).

2/ Transport revenues include direct-trunked transport and tandem-switched transport.

3/ Other interstate switched access revenues include: carrier common line, local switching, residual interconnection, and directory assistance.

CERTIFICATE OF SERVICE

I, Vincent J. Summa, do hereby certify that a copy of the foregoing "Reply Comments of WilTel, Inc." was served by hand, on this 29th day of June, 1994, on the following:

Chairman Reed E. Hundt */
Federal Communications Commission
1919 M Street, N.W. - Room 814
Stop Code 0101
Washington, D.C. 20554

Commissioner James H. Quello */
Federal Communications Commission
1919 M Street, N.W. - Room 802
Stop Code 0106
Washington, D.C. 20554

Commissioner Andrew C. Barrett */
Federal Communications Commission
1919 M Street, N.W. - Room 826
Stop Code 0103
Washington, D.C. 20554

Commissioner Susan Ness */
Federal Communications Commission
1919 M Street, N.W. - Room 832
Stop Code 0104
Washington, D.C. 20554

Commissioner Rachelle Chong */
Federal Communications Commission
1919 M Street, N.W. - Room 844
Stop Code 0105
Washington, D.C. 20554

Robert M. Pepper */
Chief, Office of Plans and Policy
Federal Communications Commission
1919 M Street, N.W. - Room 822
Stop Code 1000
Washington, D.C. 20554

Gregory J. Vogt, Chief */
Tariff Division
Common Carrier Bureau
Federal Communications Commission
1919 M Street NW, Room 518
Stop Code 1600C
Washington, DC 20554

Richard A. Metzger */
Policy and Program Planning Division
Common Carrier Bureau
Federal Communications Commission
1250 23rd Street NW, Room 544
Stop Code 1600G
Washington, DC

Kathleen Levitz */
Deputy Chief, Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W. - Room 500
Stop Code 1600
Washington, D.C. 20554

James D. Schlichting */
Chief, Policy and Program Planning Division
Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W. - Room 544
Stop Code 1600G
Washington, D.C. 20554

David Nall */
Deputy Chief, Tariff Division
Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W. - Room 518
Stop Code 1600C
Washington, D.C. 20554

Daniel F. Grosh */
Tariff Division
Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W. - Room 518
Stop Code 1600C
Washington, D.C. 20554

Douglas L. Slotten */
Policy and Program Planning Division
Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W. - Room 544
Stop Code 1600G
Washington, D.C. 20554

Claudia R. Pabo */
Policy and Program Planning Division
Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W. - Room 544
Stop Code 1600G
Washington, D.C. 20554

Suzanne Tetreault */
Policy and Program Planning Division
Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W. - Room 544
Stop Code 1600G
Washington, D.C. 20554

David Sieradzki */
Policy and Program Planning Division
Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W. - Room 544
Stop Code 1600G
Washington, D.C. 20554

Adrianne Brent */
Industry Analysis Division
Federal Communications Commission
1250 23rd Street NW, Room 010
Stop Code 1600F
Washington, DC

Joanne Wall */
Tariff Division
Common Carrier Bureau
Federal Communications Commission
1919 M Street NW, Room 518
Stop Code 1600C2
Washington, DC 20554

Downtown Copy Center */
1919 M Street, N.W. - Room 246
Washington, D.C. 20554

Michael S. Pabian, Esquire
Ameritech Services
2000 W. Ameritech Center Drive
Room 4H76
Hoffman Estates, IL 60196-1025
Counsel for Ameritech

Brian R. Moir, Esquire
Moir & Hardman
2000 L. Street, NW
Suite 512
Washington, DC 20036
Counsel for International Communications Association

Gary M. Epstein, Esquire
James H. Barker
Suite 1300
Latham & Watkins
1001 Pennsylvania Avenue NW
Washington, DC 20004-2505

and

M. Robert Sutherland
Richard M. Sbaratta
4300 Southern Bell Center
675 West Peachtree Street NE
Atlanta, GA 30375
Counsel for BellSouth Telecommunications, Inc.

James T. Hannon, Esquire
Sharon L. Naylor, Esquire
U.S. West, Inc.
1020 19th Street, NW, Suite 700
Washington, DC 20036
Counsel for U S West Communications, Inc.

Mr. Philip F. McClelland, Esquire
Assistant Consumer Advocate
Commonwealth of Pennsylvania
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120
Counsel for Irwin A. Popowsky, Consumer Advocate

Mr. David C. Bergmann
Yvonne T. Ranft
Associate Consumers' Counsel
Office of the Consumers' Counsel, State of Ohio
77 South High Street, 15th Floor
Columbus, OH 43266-0550
Counsel for Consumers' Counsel, State of Ohio

J. Manning Lee, Esquire
Senior Regulatory Counsel
Teleport Communications Group, Inc.
One Teleport Drive, Suite 301
Staten Island, NY 10311
Counsel for Teleport Communications Group, Inc.

Anne U. MacClintock, Esquire
Vice President - Regulatory Affairs and Public Policy
The Southern New England Telephone Company
227 Church Street
New Haven, CT 06510
Counsel for The Southern New England Telephone Company

R. Michael Senkowski, Esquire
Jeffrey S. Linder, Esquire
Ilene T. Weinreich, Esquire
Wiley, Rein & Fielding
1776 K Street NW
Washington, DC 20006
Counsel for Tele-Communications Association

Charles A. Zielinski, Esquire
Rogers & Wells
607 14th Street NW
Washington, DC 20005-2011
Counsel for Computer & Communications Industry Association

Leonard S. Sawicki, Senior Manager
Elizabeth Dickerson,Manager
Federal Regulatory Affairs
MCI Telecommunications Corporation
1801 Pennsylvania Avenue NW
Washington, DC 20006
Counsel for MCI Telecommunications Corporation

Jay C. Keithley, Esquire
Leon M. Kestenbaum, Esquire
H. Richard Juhnke, Esquire
Norina T. Moy, Esquire
Sprint Corporation
1850 M Street, NW, 11th Floor
Washington, DC 20036

and

W. Richard Morris, Esquire
P.O. Box 11315
Kansas City, MO 64112
Counsel for Sprint Corporation

Michael J. Shortley, III, Esquire
180 South Clinton Avenue
Rochester, NY 14646
Counsel for Rochester Telephone Corporation

Danny E. Adams, Esquire
Jeffrey S. Linder, Esquire
Wiley, Rein & Fielding
1776 K Street NW
Washington, DC 20006

and

Genevieve Morelli
Vice President and General Counsel
Competitive Telecommunications Association
1140 Connecticut Avenue NW, Suite 220
Washington, DC 20036
Counsel for Competitive Telecommunications Association

Alan J. Gardner, Esquire
Vice President, Regulatory and Legal Affairs
Jeffrey Sinsheimer, Esquire
Director of Regulatory Affairs
California Cable Television Association
4341 Piedmont Avenue
P.O. Box 11080
Oakland, CA 94611

and

Frank W. Lloyd, Esquire
Kecia Boney, Esquire
Mintz, Levin, Cohn, Ferris, Glovsky
and Popeo P.C.
701 Pennsylvania Avenue NW
Suite 900
Washington, DC 20004
Counsel for California Cable Television Association

David R. Poe, Esquire
Cherie R. Kiser, Esquire
LeBoeuf, Lamb, Greene & MacRae
1875 Connecticut Avenue, NW
Washington, DC 20009-5728

and

Paul B. Jones, Esquire
Janis A. Stahlhut, Esquire
Time Warner Communications
300 First Stamford Place
Stamford, CT 06902-6732
Counsel for Time Warner Communications

Michael E. Glover, Esquire
Edward D. Shakin, Esquire
Karen Zacharia, Esquire
Bell Atlantic Network Services, Inc.
1710 H Street, NW, 8th Floor
Washington, DC 20006
Counsel for Bell Atlantic Telephone Companies

Robert M. Lynch, Esquire
Richard C. Hartgrove, Esquire
Thomas A. Pajda, Esquire
Southwestern Bell Telephone Company
One Bell Center, Suite 3520
St. Louis, MO 63101
Counsel for Southwestern Bell Telephone Company

Edward R. Wholl, Esquire
Campbell L. Ayling, Esquire
Edward E. Niehoff, Esquire
NYNEX Telesector Resources Group
120 Bloomingdale Road
White Plains, NY 10605
Counsel for The NYNEX Telephone Companies

James P. Tuthill, Esquire
John W. Bogy, Esquire
Pacific Bell
140 New Montgomery Street
Room 1530-A
San Francisco, CA 94105

and

Jo Ann Goddard, Director
Federal Regulatory Relations
James L. Wurtz, Esquire
Pacific Telesis Group - Washington
1275 Pennsylvania Avenue, N.W.
Washington, DC 20004
Counsel for Pacific Bell and Nevada Bell

James B. Blaszak, Esquire
Francis E. Fletcher, Jr., Esquire
Gardner, Carton & Douglas
Suite 900 East Tower
1301 K Street NW
Washington, DC 20005
Counsel for Ad Hoc Telecommunications
Users Committee

W. Theodore Pierson, Jr., Esquire
Pierson & Tuttle
1200 19th Street NW, Suite 607
Washington, DC 20036
Counsel for Association for Local
Telecommunications Services (ALTS)

Henry M. Rivera, Esquire
Ginsburg, Feldman and Bress, Chartered
1250 Connecticut Avenue, NW
Washington, DC 20036
Counsel for The Council of Chief State
School Officers; and The National Association
of Secondary School Principals

Richard McKenna, HQE03J36
GTE Service Corporation
P.O. Box 152092
Irving, TX 75015-2092

and

Gail L. Polivy, Esquire
GTE Service Corporation
1850 M Street NW, Suite 1200
Washington, DC 20036
Counsel for GTE Service Corporation and its
affiliated domestic telephone operating companies

Mary McDermott
Vice President and General Counsel
USTA
1401 H Street, NW, Suite 600
Washington, DC 20005

and

Lawrence P. Keller
Cathey, Hutton & Assoc., Inc.
3300 Holcomb Bridge Road
Suite 286
Norcross, GA 30092
Counsel for United States Telephone Association

David Cosson, Esquire
NTCA
2626 Pennsylvania Avenue NW
Washington, DC 20037
Counsel for National Telephone
Cooperative Association

Robert A. Mazer, Esquire
Nixon, Hargrave Devans & Doyle
One Thomas Circle, NW, Suite 800
Washington, DC 20005
Counsel for Lincoln Telephone & Telegraph

Jonathan E. Canis, Esquire
Swidler & Berlin, Chartered
3000 K Street NW, Suite 300
Washington, DC 20007
Counsel for Intermedia Communications

John C. Smith, Esquire
ARINC, Incorporated
2551 Riva Road
Annapolis, MD 21401
Counsel for Aeronautical Radio, Inc.

Mark C. Rosenblum, Esquire
Robert J. McKee, Esquire
Peter H. Jacoby, Esquire
Albert M. Lewis, Esquire
Room 2255F2
295 North Maple Avenue
Basking Ridge, NJ 07920

and

Marc E. Manly, Esquire
Sidley & Austin
1722 Eye Street NW
Washington, DC 20006

Counsel for AT&T Corp.

\\\DC\60661\0004\PL002201.DOC

Margot Smiley Humphrey, Esquire
Koteen & Naftalin
1150 Connecticut Avenue NW
Washington, DC 20036
Counsel for National Rural Telecom Association

Andrew D. Lipman, Esquire
Swidler & Berlin, Chartered
3000 K Street NW, Suite 300
Washington, DC 20007
Counsel for MFS Communications

Cheryl N. Campbell, Esquire
Cincinnati Bell Telephone Company
201 East Fourth Street, Room 102-310
P.O. Box 2301
Cincinnati, OH 45201
Counsel for Cincinnati Bell Telephone

Lisa M. Zaina, Esquire
OPASTCO
21 Dupont Circle, NW
Suite 700
Washington, DC 20036
Counsel for OPASTCO

Ms. Tenley A. Carp
General Services Administration
Personal Property Division
Office of the General Counsel
18th and F Streets NW, Room 4002
Washington, DC 20405

Ms. Carol Henderson
Director
American Library Association
110 Maryland Avenue NE
Washington, DC 20002

John J. Brasch
President
Senior Technologies, Inc.
941 O Street, Suite 205
Lincoln, NE 68508

Richard Riccoboni
President & CEO
Eagle Telephonics, Inc.
132 Wilbur Place
Bohemia, NY 11716

James Gattuso
Beverly McKittrick
Citizens for a Sound Economy Foundation
1250 H Street NW
Washington, DC 20005

Rodney L. Joyce, Esquire
Ginsburg Feldman & Bress
1250 Connecticut Avenue NW
Washington, DC 20036
Counsel for Marshall Borchert

Vincent J. Summa
Vincent J. Summa

---

*/ By Hand Delivery

\\\DC\60661\0004\PL002201.DOC